

1   **SECTION 1. SHORT TITLE.**

2           This Act may be cited as the “Jubilee Act for Re-  
3 sponsible Lending and Expanded Debt Cancellation of  
4 2008”.

5   **SEC. 2. FINDINGS.**

6           The Congress finds the following:

7           (1) Many low-income countries have been strug-  
8 gling under the burden of international debts for  
9 many years.

10          (2) Since 1996, when the Heavily Indebted  
11 Poor Countries Initiative (HIPC) was created, more  
12 than 30 nations have seen some form of debt relief  
13 totaling approximately \$80,000,000,000.

14          (3) Congress has demonstrated its support for  
15 bilateral and multilateral debt relief through the en-  
16 actment of comprehensive debt relief initiatives for  
17 heavily indebted low-income countries in—

18           (A) title V of H.R. 3425 of the 106th Con-  
19 gress, as enacted into law by section 1000(a)(5)  
20 of the Act entitled “An Act making consoli-  
21 dated appropriations for the fiscal year ending  
22 September 30, 2000, and for other purposes”,  
23 approved November 29, 1999 (Public Law 106–

1 113; 113 Stat. 1501–311) and the amendments  
2 made by such title;

3 (B) title II of H.R. 5526 of the 106th  
4 Congress, as enacted into law by section 101(a)  
5 of the Act entitled “An Act making appropria-  
6 tions for foreign operations, export financing,  
7 and related programs for the fiscal year ending  
8 September 30, 2001, and for other purposes”,  
9 approved November 6, 2000 (Public Law 106–  
10 429; 114 Stat. 1900A–5); and

11 (C) title V of the United States Leadership  
12 Against HIV/AIDS, Tuberculosis, and Malaria  
13 Act of 2003 (Public Law 108–25; 117 Stat.  
14 747) and the amendment made by such title.

15 (4) In 2005, the United States and other G–8  
16 nations reached an agreement to provide cancellation  
17 of 100 percent of the debts owed by eligible poor na-  
18 tions to Paris Club members, the IMF, the World  
19 Bank, and the African Development Bank. The  
20 Inter-American Development Bank reached an  
21 agreement in early 2007 to provide similar treat-  
22 ment.

23 (5) The 2005 agreement led to the creation of  
24 the Multilateral Debt Relief Initiative (MDRI). As of  
25 April 2007, 22 nations have seen the majority of

1       their debts to the IMF, World Bank, and African  
2       Development Bank cancelled under the terms of the  
3       MDRI. In March 2007, the Inter-American Develop-  
4       ment Bank announced it would provide full debt  
5       cancellation to 5 Latin American countries on MDRI  
6       terms.

7           (6) Resources released by debt relief efforts to  
8       date are reaching the poor. Cameroon is using the  
9       \$29,800,000 of savings it will gain from the MDRI  
10      in 2006 for national poverty reduction priorities, in-  
11      cluding infrastructure, social sector and governance  
12      reforms. Uganda is using its \$57,900,000 savings in  
13      2006 on improving energy infrastructure to try to  
14      ease acute electricity shortages, as well as primary  
15      education, malaria control, healthcare and water in-  
16      frastructure (specifically targeting the poor and  
17      under-served villages). Zambia is using its savings of  
18      \$23,800,000 under the MDRI in 2006 to increase  
19      spending on agricultural projects, such as  
20      smallholder irrigation and livestock disease control,  
21      as well as to eliminate fees for healthcare in rural  
22      areas.

23           (7) While debt cancellation has a record of suc-  
24      cess, there remains an unfinished agenda on inter-  
25      national debt. There are a number of challenges to

1 both the effective reduction of poverty and inequality  
2 and the achievement of broader debt cancellation.

3 (8) 2007 is an important year to address the  
4 unfinished agenda on international debt as the glob-  
5 al Jubilee debt campaign has declared 2007 a “Sab-  
6 bath year”, 7 years after the historic Jubilee 2000  
7 campaign.

8 (9) A critical issue which needs to be addressed  
9 on debt is the way that non-concessional lenders  
10 stand to gain financially from lending to poor coun-  
11 tries that have benefited from debt relief without  
12 having paid for past debt relief or facing the pros-  
13 pect of paying for the future relief of unsustainable  
14 and irresponsible new lending. In these cases, the  
15 gains of debt relief for poor debtor countries are at  
16 risk of being eroded. This takes the form of new  
17 lending to countries that have received debt cancella-  
18 tion from countries including China.

19 (10) It is also essential that all lenders and bor-  
20 rowers accept co-responsibility and learn from past  
21 mistakes—as evidenced by the debt crisis itself—by  
22 making more productive investment choices and en-  
23 gaging in more responsible lending and borrowing in  
24 the future. In October 2006, Norway became the  
25 first creditor to accept co-responsibility for past

1       lending mistakes and cancelled the debt of 5 nations  
2       on the grounds that the loans reflected poor develop-  
3       ment policy.

4           (11) A growing number of governments and  
5       intergovernmental bodies, including the United  
6       Kingdom, the European Commission, and Norway,  
7       are raising concerns about the harmful impacts of  
8       economic policy conditionality. Many impoverished  
9       countries that have received debt cancellation under  
10      the HIPC and MDRI initiatives have done so at a  
11      high social cost, because they have had to implement  
12      economic policy conditions such as privatization of  
13      public utilities and other basic services, adhere to  
14      budget ceilings imposed by the IMF, and comply  
15      with other harmful requirements. Some of these poli-  
16      cies have had the effect of limiting fiscal space for  
17      productive investment and threatening growth and  
18      human development. Several countries currently eli-  
19      gible for debt cancellation under the HIPC or MDRI  
20      programs are facing extended delays in receiving  
21      cancellation because they are struggling to comply  
22      with such requirements from the IMF and World  
23      Bank.

24           (12) There is also an urgent need to look be-  
25      yond the constraints of current debt relief initiatives

1 to address the need for expanded debt cancellation.  
2 The current initiatives allow countries to qualify for  
3 relief based on economic criteria rather than human  
4 needs. A January 2007 report by the United Na-  
5 tions Human Rights Council found that eligibility  
6 for debt cancellation should be expanded to cover all  
7 low-income countries.

8 (13) The government of the United Kingdom  
9 has proposed that qualification for the MDRI be ex-  
10 tended to the 67 nations which qualify for assistance  
11 exclusively from the International Development As-  
12 sociation. To be eligible for cancellation, countries  
13 must meet requirements pertaining to public finan-  
14 cial management, anti-corruption measures, and  
15 budget transparency.

16 (14) Since debt cancellation is an essential com-  
17 ponent of the United States development assistance  
18 strategy and the United States has been able to lead  
19 the debt cancellation efforts of the international  
20 community by example, the United States should  
21 continue to work to improve and expand initiatives  
22 in this area.

23 (15) The United States has been a leader in  
24 supporting debt relief efforts to date and should con-

1       tinue to work to improve and expand initiatives in  
2       this area.

3       **SEC. 3. CANCELLATION OF DEBT OWED BY ELIGIBLE LOW-**  
4                   **INCOME COUNTRIES.**

5       Title XVI of the International Financial Institutions  
6       Act (22 U.S.C. 262p—262p-8) is amended by adding at  
7       the end the following:

8       **“SEC. 1626. CANCELLATION OF DEBT OWED BY ELIGIBLE**  
9                   **LOW-INCOME COUNTRIES.**

10       “(a) IN GENERAL.—The Secretary of the Treasury  
11       shall commence immediate efforts, within the Paris Club  
12       of Official Creditors, the International Monetary Fund  
13       (IMF), the International Bank for Reconstruction and De-  
14       velopment (World Bank), and the other international fi-  
15       nancial institutions (as defined in section 1701(c)(2)), to  
16       negotiate an agreement to accomplish the following:

17               “(1) Cancellation by each international finan-  
18       cial institution of all debts owed to the institution by  
19       eligible low-income countries, and, to the extent pos-  
20       sible, financing the debt cancellation from the ongo-  
21       ing operations, procedures, and accounts of the insti-  
22       tution.

23               “(2) Cancellation by the United States of all  
24       debts owed to it by eligible low-income countries.

1           “(3) Ensuring that any waiting period for the  
2           enhanced debt cancellation is not excessive.

3           “(4) Ensuring that the provision of debt can-  
4           cellation to eligible low-income countries is not fol-  
5           lowed by a reduction in the provision of any other  
6           development assistance to the countries by inter-  
7           national financial institutions and bilateral creditors.

8           “(5) Encouraging the government of each eligi-  
9           ble low-income country to allocate at least 20 per-  
10          cent of its national budget towards poverty-allevi-  
11          ation programs such as the provision of basic health  
12          care services, education services, and clean water  
13          services to all individuals in the country.

14       This subsection shall not be interpreted to authorize the  
15       Secretary of the Treasury to enter into an agreement to  
16       accomplish any of the foregoing without express congres-  
17       sional authorization to do so.

18       “(b) ESTABLISHMENT OF FRAMEWORK FOR CRED-  
19       ITOR TRANSPARENCY.—The Secretary of the Treasury  
20       shall commence immediate efforts, within the Paris Club  
21       of Official Creditors, the International Monetary Fund,  
22       the World Bank, and the other international financial in-  
23       stitutions (as so defined), to ensure that each of the insti-  
24       tutions—



1           “(1) continues to make efforts to promote  
2           greater transparency regarding the activities of the  
3           institution, including credit, grant, guarantee, and  
4           technical assistance operations, following a policy of  
5           maximum disclosure; and

6           “(2) supports continued efforts to allow in-  
7           formed participation and input by affected commu-  
8           nities, including translation of information on pro-  
9           posed projects, provision of information (including  
10          draft documents) through information technology  
11          application, oral briefings, and outreach to and dia-  
12          logue with community organizations and institutions  
13          in affected areas.

14          “(c) ESTABLISHMENT OF FRAMEWORK FOR RESPON-  
15          SIBLE LENDING.—The Secretary of the Treasury shall  
16          commence immediate efforts to—

17               “(1) develop and promote policies to ensure all  
18               creditors, with no distinction, will contribute to pre-  
19               serving the gains of debt relief for low-income debtor  
20               countries;

21               “(2) provide that the external financing needs  
22               of low-income countries are met primarily through  
23               grant financing rather than new lending;

24               “(3) seek the international adoption of a bind-  
25               ing legal framework on new lending that—

1           “(A) guarantees that no creditor can take  
2           or expect to take financial advantage of ac-  
3           quired or newly awarded debt relief through the  
4           terms and rates of such lending to beneficiary  
5           countries;

6           “(B) is binding on all creditors, whether  
7           multilateral, bilateral or private;

8           “(C) foresees, as a sanction for creditors  
9           who violate it, an equitable share in the burden  
10          of the losses from any future debt relief needed  
11          by the sovereign debtor to whom lending was ir-  
12          responsibly provided;

13          “(D) provides for decisions on irresponsible  
14          lending to be made by an entity independent  
15          from the creditors; and

16          “(E) enables fair opportunities for the peo-  
17          ple of the affected country to be heard; and

18          “(4) support the development of responsible fi-  
19          nancing standards where creditors and aid/loan re-  
20          cipients alike adhere to standards to assure trans-  
21          parency and accountability to citizens, human rights,  
22          and the avoidance of new odious debt, while encour-  
23          aging the development of renewable energy and help-  
24          ing countries to transition away from dependence on  
25          oil.

1       “(d) GAO AUDIT OF DEBT PORTFOLIOS OF COUN-  
2       TRIES WITH QUESTIONABLE LOANS.—

3               “(1) IN GENERAL.—The Comptroller General of  
4       the United States shall undertake an audit of the  
5       debt portfolios of previous governments in countries  
6       such as the Democratic Republic of Congo and  
7       South Africa, where there is significant evidence  
8       that odious, onerous, or illegal loans were made to  
9       the government. Each such audit shall—

10              “(A) consider debt owed to the World  
11       Bank, the IMF, and the other international fi-  
12       nancial institutions (as so defined), export cred-  
13       it debts owed to governments, and debts owed  
14       to commercial creditors, and assess whether or  
15       not past investments produced the intended re-  
16       sults;

17              “(B) investigate the process by which the  
18       loans were contracted, how the funds were used,  
19       and determine whether United States or inter-  
20       national laws were violated in the contraction of  
21       these loans, and whether any of the loans were  
22       odious or onerous; and

23              “(C) be planned and executed in a trans-  
24       parent and consultative manner, engaging con-

1           gressional bodies and civil society groups in the  
2           countries.

3           “(2) REPORT.—Within 2 years after the date of  
4           the enactment of this section, the Comptroller Gen-  
5           eral of the United States shall prepare and submit  
6           to the Committees on Financial Services and on  
7           Foreign Affairs of the House of Representatives and  
8           the Committees on Banking, Housing, and Urban  
9           Affairs and on Foreign Relations of the Senate a re-  
10          port that contains the results of the audits under-  
11          taken under paragraph (1).

12          “(e) AVAILABILITY ON TREASURY DEPARTMENT  
13          WEBSITE OF REMARKS OF UNITED STATES EXECUTIVE  
14          DIRECTORS AT MEETINGS OF INTERNATIONAL FINAN-  
15          CIAL INSTITUTIONS’ BOARDS OF DIRECTORS.—The Sec-  
16          retary of the Treasury shall make available on the website  
17          of the Department of the Treasury the full record of the  
18          remarks of the United States Executive Director at meet-  
19          ings of the boards of directors of the International Mone-  
20          tary Fund, the World Bank, and the other international  
21          financial institutions (as so defined), about cancellation or  
22          reduction of debts owed to the institution involved, with  
23          redaction by the Secretary of the Treasury of material  
24          deemed too sensitive for public distribution, but showing

1 the topic, amount of material redacted, and reason for the  
2 redaction.

3 “(f) REPORT FROM THE COMPTROLLER GENERAL.—  
4 Within 1 year after the date of the enactment of this sec-  
5 tion, the Comptroller General of the United States shall  
6 prepare and submit to the Committees on Financial Serv-  
7 ices and on Foreign Affairs of the House of Representa-  
8 tives and the Committees on Banking, Housing, and  
9 Urban Affairs and on Foreign Relations of the Senate a  
10 report on the availability of the ongoing operations, proce-  
11 dures, and accounts of the IMF, the World Bank, and the  
12 other international financial institutions (as so defined)  
13 for canceling the debt of eligible low-income countries.

14 “(g) ANNUAL REPORTS FROM THE PRESIDENT.—  
15 Not later than December 31 of each year, the President  
16 shall submit to the Committees on Financial Services and  
17 on Foreign Affairs of the House of Representatives and  
18 the Committees on Foreign Relations and on Banking,  
19 Housing, and Urban Affairs of the Senate a report, which  
20 shall be made available to the public, on the activities un-  
21 dertaken under this section, and other progress made in  
22 accomplishing the purposes of this section, for the prior  
23 fiscal year. The report shall include a list of the countries  
24 that have received debt cancellation, a list of the countries  
25 whose request for debt cancellation has been denied and

1 the reasons therefor, and a list of the countries whose re-  
2 quests for debt cancellation are under consideration.

3 “(h) ELIGIBLE LOW-INCOME COUNTRY DEFINED.—

4 In this section, the term ‘eligible low-income country’  
5 means a country—

6 “(1) that is eligible for financing from the  
7 International Development Association but not the  
8 World Bank, and does not qualify for debt relief  
9 under the Enhanced HIPC Initiative (as defined in  
10 section 1625(e)(3)) and under the Multilateral Debt  
11 Relief Initiative;

12 “(2) that has transparent and effective budget  
13 execution and public financial management systems  
14 which ensure that the savings from debt relief are  
15 spent on reducing poverty;

16 “(3) the government of which does not have an  
17 excessive level of military expenditures;

18 “(4) the government of which has not repeat-  
19 edly provided support for acts of international ter-  
20 rorism, as determined by the Secretary of State  
21 under section 6(j)(1) of the Export Administration  
22 Act of 1979 (50 U.S.C. App. 2405(j)(1)), or section  
23 620A(a) of the Foreign Assistance Act of 1961 (22  
24 U.S.C. 2371(a));

1 “(5) the government of which is cooperating on  
2 international narcotics control matters; and

3 “(6) the government of which (including its  
4 military or other security forces) does not engage in  
5 a consistent pattern of gross violations of inter-  
6 nationally recognized human rights.”.

7 **SEC. 4. LIMITATION ON CONDITIONALITY OF DEBT RELIEF**  
8 **FOR ELIGIBLE LOW-INCOME COUNTRIES.**

9 Title XVI of the International Financial Institutions  
10 Act (22 U.S.C. 262p—262p–8) is further amended by  
11 adding at the end the following:

12 **“SEC. 1627. LIMITATION ON CONDITIONALITY OF DEBT RE-**  
13 **LIEF FOR ELIGIBLE LOW-INCOME COUN-**  
14 **TRIES.**

15 “(a) IN GENERAL.—The Secretary of the Treasury  
16 shall commence immediate efforts within the Paris Club  
17 of Official Creditors, the International Monetary Fund  
18 (IMF), the International Bank for Reconstruction and De-  
19 velopment (World Bank), and the other international fi-  
20 nancial institutions (as defined in section 1701(c)(2)), to  
21 ensure that debt cancellation is provided to eligible low-  
22 income countries (as defined in section 1626(h)) without  
23 any conditions except requiring the government of such  
24 a country to—

1           “(1) take steps so that the financial benefits of  
2       debt relief are applied to programs to combat pov-  
3       erty (in particular through concrete measures to im-  
4       prove economic infrastructure, basic services in edu-  
5       cation, nutrition, and health, particularly treatment  
6       and prevention of the leading causes of mortality)  
7       and to redress environmental degradation;

8           “(2) make policy decisions through transparent  
9       and participatory processes;

10          “(3) adopt an integrated development strategy  
11       to support poverty reduction through economic  
12       growth, that includes monitorable poverty reduction  
13       goals;

14          “(4) implement transparent policy making and  
15       budget procedures, good governance, and effective  
16       anticorruption measures;

17          “(5) broaden public participation and popular  
18       understanding of the principles and goals of poverty  
19       reduction, particularly through economic growth,  
20       and good governance;

21          “(6) promote the participation of citizens and  
22       nongovernmental organizations in the economic pol-  
23       icy choices of the government; and

24          “(7) produce an annual report disclosing how  
25       the savings from debt cancellation were used, and



1       make the report publicly available and easily acces-  
2       sible to all interested parties, including civil society  
3       groups and the media.

4       “(b) ANNUAL REPORTS TO THE CONGRESS.—Not  
5       later than December 31 of each year, the President shall  
6       submit to the Committees on Financial Services and on  
7       International Relations of the House of Representatives  
8       and the Committees on Foreign Relations and on Bank-  
9       ing, Housing, and Urban Affairs of the Senate a report,  
10      which shall be made available to the public, on the activi-  
11      ties undertaken under this section, and other progress  
12      made in accomplishing the purposes of this section, for  
13      the prior fiscal year.”.

14   **SEC. 5. SENSE OF THE CONGRESS.**

15       It is the sense of the Congress that to further the  
16      goals of debt reduction for low-income countries, in addi-  
17      tion to the efforts described in this Act, the United States  
18      should pay off outstanding arrearages of \$595,800,000 to  
19      the International Development Association and regional  
20      development banks, and become current on all debt reduc-  
21      tion efforts, including those carried out by the Inter-  
22      national Development Association and under the En-  
23      hanced Heavily Indebted Poor Countries Initiative and the  
24      Multilateral Debt Relief Initiative.